



County of Los Angeles
CHIEF ADMINISTRATIVE OFFICE

713 KENNETH HAHN HALL OF ADMINISTRATION • LOS ANGELES, CALIFORNIA 90012
(213) 974-1101
<http://cao.co.la.ca.us>

DAVID E. JANSSEN
Chief Administrative Officer

April 11, 2006

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**AUTHORIZATION OF HEALTH FACILITY CAPITAL IMPROVEMENT FUND
SPECIAL FUND AND APPROVAL OF BUDGET ADJUSTMENT TRANSFERRING
HEALTH SERVICES CAPITAL PROJECTS
(4 Votes)**

IT IS RECOMMENDED THAT YOUR BOARD:

1. Authorize the establishment of a new Special Fund entitled the Health Facility Capital Improvement Fund.
2. Approve the attached budget adjustment which transfers seven health facility capital projects and their remaining appropriation from the General Fund to the new Health Facility Capital Improvement Fund to properly account for the use of tax-exempt commercial paper as a funding source for the projects.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTIONS

Approval of the recommended actions will establish the Health Facility Capital Improvement Fund (HFCIF) in order to properly account for the funding of seven high priority, health-related capital projects through tax-exempt commercial paper (TECP). Each of the projects to be financed through TECP proceeds have been previously approved by your Board to proceed through their current phase of development.

The recommended actions will also transfer the current appropriations and prior year commitments related to these projects from the General Fund to the new HFCIF. The current recommendations will not increase project budgets or represent an approval by your Board for these projects to proceed further than previously authorized.

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

Recommendations requesting additional project approvals or increases in project budgets will be presented to your Board in the future.

Background

On January 24, 2006, your Board approved the securitization of a portion of the tobacco settlement payments the County expects to receive between 2011 and 2045, and to use the proceeds to finance and refinance certain construction costs related to the LAC+USC Medical Center Replacement Facility (the Replacement Project). On February 8, 2006, the Treasurer and Tax Collector successfully completed the sale of \$319.8 million in Tobacco Bonds, enabling the redemption of \$267.6 million in TECP that had been issued to fund certain construction costs related to the Replacement Project, as well as providing \$20 million for remaining Replacement Project construction costs.

The use of Tobacco Bonds proceeds to payoff outstanding TECP for the Replacement Project enabled the County to replenish the short-term financing capacity necessary to fund seven statutorily required and/or high-priority health facility capital projects as recommended in our DHS Hospital Improvement Financing memorandum to your Board on January 23, 2006.

In that memorandum, we presented a financing plan for \$419.4 million in health capital projects that are either statutorily required, such as the seismic retrofit of acute care inpatient facilities, or have been identified as a high priority by the Department and essential to the ongoing provision of inpatient care. Each of the identified projects are currently under development or design. These high-priority projects, along with remaining current year appropriations and prior year commitment balances that will be transferred to the HFCIF, are identified in the table below.

Hospital	Project (Capital Project Org.)	Unspent Balances to Transfer/Reestablish
Harbor/UCLA	Surgery/Emergency Room Project (C.P. 69220)	\$21.5 million
High Desert	Multipurpose Ambulatory Care Center Conversion (C.P. 77350)	3.5
Olive View	Emergency Room/Tuberculosis Unit (C.P. 69249)	4.1
Harbor/UCLA	SB1953 Seismic Retrofit Program (C.P. 86534)	0.5
MLK	SB1953 Seismic Retrofit Program (C.P. 86536)	1.7
Olive View	SB1953 Seismic Retrofit Program (C.P. 86537)	2.2
Rancho Los Amigos	SB1953 Seismic Retrofit Alternative (C.P. 69334)	2.0
Total		\$35.5 million

Implementation of Strategic Plan Goals

The recommended actions support the Board-approved County Strategic Plan goal of Fiscal Responsibility. The creation of the HFCIF and the budget adjustment to transfer projects to the newly established special fund will allow the County to appropriately confine TECP-funded projects to this fund.

FISCAL IMPACT/FINANCING

The recommended actions will result in the transfer of \$35.5 million unspent current year appropriation from seven Department existing capital projects budgeted in the General Fund into capital project accounts in the newly created Health Facility Capital Improvement Fund special fund. Current year encumbrances and prior year commitments totaling \$20.3 million will be cancelled and then reappropriated into their corresponding capital project accounts in the HFCIF.

Although these actions will set up the proper accounting for TECP-funded projects, we are making no request for additional appropriation for any project at this time. As indicated in our January 23, 2006 memorandum, Public Works, the Department and our office will return to your Board for each project to request specific approval for any budgetary increase and authorization to use TECP as a project funding source.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Not applicable.

ENVIRONMENTAL DOCUMENTATION

Approval of the recommended actions will have no environmental impact.

IMPACTS ON CURRENT SERVICES (OR PROJECTS)

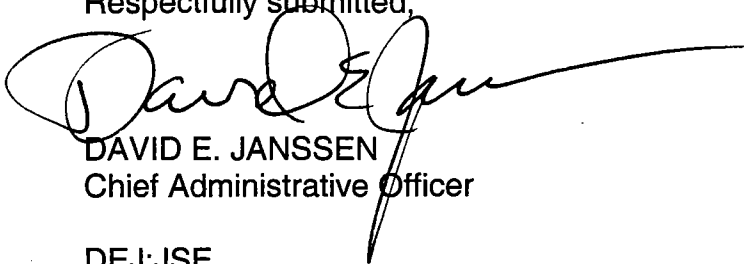
Not applicable.

The Honorable Board of Supervisors
April 11, 2006
Page 4

CONCLUSION

Please return an adopted copy of this letter to the Chief Administrative Office (Capital Projects).

Respectfully submitted,

A handwritten signature in black ink, appearing to read "David E. Janssen", with a long horizontal flourish extending to the right.

DAVID E. JANSSEN
Chief Administrative Officer

DEJ:JSE
DJT:PB:zu

Attachment

c: County Counsel
Auditor-Controller

COUNTY OF LOS ANGELES
REQUEST FOR APPROPRIATION ADJUSTMENT

DEPT'S. 060
No.

DEPARTMENT OF CHIEF ADMINISTRATIVE OFFICE

April 4, 2006 19

AUDITOR-CONTROLLER.

THE FOLLOWING APPROPRIATION ADJUSTMENT IS DEEMED NECESSARY BY THIS DEPARTMENT. WILL YOU PLEASE REPORT AS TO ACCOUNTING AND AVAILABLE BALANCES AND FORWARD TO THE CHIEF ADMINISTRATIVE OFFICER FOR HIS RECOMMENDATION OR ACTION.

ADJUSTMENT REQUESTED AND REASONS THEREFOR

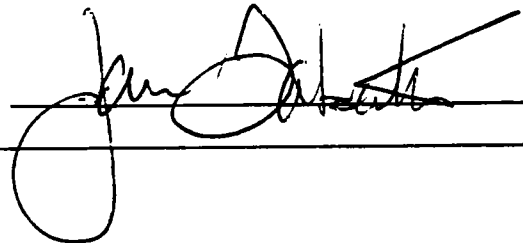
4-VOTE BA
FY 2005-2006

SEE ATTACHED

JUSTIFICATION:

The Budget Adjustment is necessary to transfer funds from the General Fund to the Health Facilities CIF where the capital projects are being relocated, and to reappropriate cancelled commitments and encumbrance in the capital project accounts in the Special Fund projects.

CHIEF ADMINISTRATIVE OFFICER'S REPORT


REFERRED TO THE CHIEF
ADMINISTRATIVE OFFICER FOR—

ACTION

RECOMMENDATION

APPROVED AS REQUESTED

AS REVISED

April 5 2006 19

John J. Edmister
CHIEF ADMINISTRATIVE OFFICERAPPROVED (AS REVISED):
BOARD OF SUPERVISORS

19

AUDITOR-CONTROLLER BY

No. 306

306 APRIL 4, 2006 19

BY

DEPUTY COUNTY CLERK

BUDGET ADJUSTMENT

4 - VOTES

Financial Sources

Harbor S/E Replacement
Fixed Assets - B & I
A01 - CP - 69220 - 6014
\$21,163,000 Decrease Appropriation

MLK/Drew Med Ctr SB1953 SPC2/NPC3
Fixed Assets - B & I
A01 - CP - 86536 - 6014
\$393,000 Decrease Appropriation

Harbor SB1953 SPC2/NPC3
Fixed Assets - B & I
A01 - CP - 86534 - 6014
\$133,000 Decrease Appropriation

Olive View Med Ctr SB1953 NPC3
Fixed Assets - B & I
A01 - CP - 86537 - 6014
\$1,609,000 Decrease Appropriation

Rancho Los Amigos Med Ctr Hosp Consol
Fixed Assets - B & I
A01 - CP - 69334 - 6014
\$2,026,000 Decrease Appropriation

High Desert MACC New Ambulatory Care Building
Fixed Assets - B & I
A01 - CP - 77350 - 6014
\$3,515,000 Decrease Appropriation

Olive View Med Ctr ER Replacement
Fixed Assets - B & I
A01 - CP - 69249 - 6014
\$3,292,000 Decrease Appropriation

Appropriation for Contingency - Cancelled Commitments
A01 - 3306
\$3,347,000 Decrease Appropriation

Harbor S/E Replacement
Operating Transfer In/CP
J19 - AO - 69220 - 9919
\$21,486,000 Increase Revenue

MLK/Drew Med Ctr SB1953 SPC2/NPC3
Operating Transfer In/CP
J19 - AO - 86536 - 9919
\$1,673,000 Increase Revenue

Financial Uses

NDSA
Other Financing Uses
A01 - BS - 13690 - 6100
\$35,478,000 Increase Appropriation

Harbor S/E Replacement
Fixed Assets - B & I
J19 - AO - 69220 - 6014
\$21,486,000 Increase Appropriation

MLK/Drew Med Ctr SB1953 SPC2/NPC3
Fixed Assets - B & I
J19 - AO - 86536 - 6014
\$1,673,000 Increase Appropriation

BA#306 4-4-06

Harbor SB1953 SPC2/NPC3
Operating Transfer In/CP
J19 - AO - 86534 - 9919
\$450,000 Increase Revenue

Olive View Med Ctr SB1953 NPC3
Operating Transfer In/CP
J19 - AO - 86537 - 9919
\$2,233,000 Increase Revenue

Rancho Los Amigos Med Ctr Hosp Consol
Operating Transfer In/CP
J19 - AO - 69334 - 9919
\$2,026,000 Increase Revenue

High Desert MACC New Ambulatory Care Building
Operating Transfer In/CP
J19 - AO - 77350 - 9919
\$3,515,000 Increase Revenue

Olive View Med Ctr ER Replacement
Operating Transfer In/CP
J19 - AO - 69249 - 9919
\$4,095,000 Increase Revenue

TOTAL: \$ 70,956,000

Harbor SB1953 SPC2/NPC3
Fixed Assets - B & I
J19 - AO - 86534 - 6014
\$450,000 Increase Appropriation

Olive View Med Ctr SB1953 NPC3
Fixed Assets - B & I
J19 - AO - 86537 - 6014
\$2,233,000 Increase Appropriation

Rancho Los Amigos Med Ctr Hosp Consol
Fixed Assets - B & I
J19 - AO - 69334 - 6014
\$2,026,000 Increase Appropriation

High Desert MACC New Ambulatory Care Building
Fixed Assets - B & I
J19 - AO - 77350 - 6014
\$3,515,000 Increase Appropriation

Olive View Med Ctr ER Replacement
Fixed Assets - B & I
J19 - AO - 69249 - 6014
\$4,095,000 Increase Appropriation

TOTAL: \$ 70,956,000

JUSTIFICATION:

The Budget Adjustment is necessary to transfer funds from the General Fund to the Health Facilities CIF where the capital projects are being relocated, and to reappropriate cancelled commitments and encumbrances in the capital project accounts in the Special Fund projects.

g/excel/health facilities cap impvt fund ba.xls

BA #306 4-4-06